

Message Text

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ACTION EA-14

INFO OCT-01 AID-20 CIAE-00 COME-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06

SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 PA-03 PRS-01

USIE-00 L-03 H-02 TAR-02 AGR-20 EUR-25 IO-12 ADP-00

SSO-00 NSCE-00 INRE-00 RSR-01 /192 W

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O R 250735 Z APR 73 ZDK

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 3388

INFO USMISSIONEC BRUSSLES

USMISSION GENEVA

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY MANILA

UNCLAS SECTION 1 OF 2 TOKYO 5089

MANILA FOR VOLKER

E. O. 11652: N/ A

TAGS: EFIN EGEN JA

SUBJ: NEW GOJ CAPITAL LIBERALIZATION POLICY

REF TOKYO 4914

FOLLOWING IS SUMMARY ISSUED TODAY, APRIL 25, BY GOJ ON
NEW CAPITAL LIBERALIZATION POLICY. COMMENTS FOLLOW SEPTTEL.
QUOTE SUMMARY OF RECOMMENDATION OF FOREIGN INVESTMENT
COUNCIL REGARDING LIBERALIZATION OF FOREIGN DIRECT
INVESTMENT IN JAPAN

'25.4.1973

1. SINCE 1967. THE GOVERNMENT OF JAPAN HAS LIBERALIZED
FOREIGN DIRECT INVESTMENT IN JAPAN ON FOUR OCCASIONS.
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HOWEVER, RESTRICTIVE MEASURES STILL REMAIN IN VARIOUS
FIELDS.

IN THE LIGHT OF RECENT INTERNATIONAL AND DOMESTIC

ECONOMIC DEVELOPMENTS, HOWEVER, FURTHER LIBERALIZATION SHOULD BE PUSHED TO THE MAXIMUM EXTENT POSSIBLE IN THE CONTEXT OF THE PRESENT ECONOMIC SITUATION OF JAPAN. TO THIS END, THE LIBERALIZATION CENTERED IN 50 PERCENT FOREIGN CAPITAL PARTICIPATION AT PRESENT WILL BE CONVERTED INTO ONE CENTERED IN 100 PERCENT FOREIGN PARTICIPATION, IN LINE WITH THE OECD CODE OF CAPITAL LIBERALIZATION.

2. THE LIBERALIZATION MEASURES TO BE EFFECTED ARE AS FOLLOWS:

(1) ESTABLISHMENT OF NEW FIRMS.

THE PRESENT SYSTEM IS CENTERED IN THE LIBERALIZATION OF 50 PERCENT PARTICIPATION OF FOREIGN CAPITAL. (NOTE) BY THE INTRODUCTION OF THE NEW LIBERALIZATION MEASURES, 100 PERCENT LIBERALIZATION WILL BE EFFECTED WITH THE EXCEPTION OF THE 5 INDUSTRIES LISTED IN APPENDIX 1.

HOWEVER, FULL 100 PERCENT LIBERALIZATION WILL BE POSTPONED FOR PERIODS RANGING FROM 2 TO 3 YEARS IN RESPECT OF THE 17 INDUSTRIES LISTED IN APPENDIX 2, WHICH ARE STILL FACING DIFFICULT PROBLEMS.

(NOTE) EXCEPT FOR 228 INDUSTRIES WHICH ARE 100 PERCENT LIBERALIZED, AND 7 INDUSTRIES SUBJECT TO CASE BY CASE SCREENING, ALL OTHER INDUSTRIES ARE LIBERALIZED UP TO 58 PERCENT FOREIGN PARTICIPATION.

(2) PARTICIPATION IN THE MANAGEMENT OF EXISTING COMPANIES.

AT PRESENT, ACQUISITION OF STOCKS FOR THE PURPOSE OF PARTICIPATION IN THE MANAGEMENT OF EXISTING COMPANIES IS LIBERALIZED ONLY TO THE EXTENT THAT THE RATIO OF CAPITAL PARTICIPATION PER ANY ONE FOREIGN INVESTOR IS LESS THAN 10 PERCENT, AND THE RATIO OF CAPITAL PARTICIPATION BY ALL FOREIGN INVESTORS TOGETHER IS LESS THAN 25 PERCENT. AFTER UNCLASSIFIED

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INTRODUCTION OF THE NEW LIBERALIZATION MEASURES, FOREIGN INVESTMENT WILL BE FREE UP TO 100 PERCENT FOREIGN PARTICIPATION, EXCEPT IN THE CASE OF THE 5 INDUSTRIES EXCLUDED IN THE CASE OF NEW FIRMS, AND PROVIDED THAT THE INVESTMENT DOES NOT CONSTITUTE A " TAKEOVER" PLOTTED AGAINST THE WISHES OF THE COMPANY CONCERNED. HOWEVER, IN RESPECT OF THE 17 INDUSTRIES LISTED IN APPENDIX 2, THE ABOVE LIBERALIZATION WILL BE POSTPONED FOR THE SAME PERIODS AS STIPULATED FOR THE NEW FIRMS.

(3) PORTFOLIO INVESTMENT.

CONCERNING THE ACQUISITION OF STOCKS FOR THE PURPOSE

OF PORTFOLIO INVESTMENT, THE SAME LIBERALIZATION MEASURES
WILL BE EFFECTED AS THOSE MENTIONED IN (2) ABOVE.

3. WITH REGARD TO THE RESTRICTIONS STILL RETAINED, FOR
UNAVOIDABLE REASONS, AFTER THE NEW LIBERALIZATION MEASURES,
THE GOVERNMENT WILL CONTINUE TO KEEP UNDER REVIEW THE
POSSIBILITY OF THEIR LIBERALIZATION, AND WILL PROCEED WITH
FURTHER LIBERALIZATION AS AND WHEN DOMESTIC CONDITIONS,
INCLUDING RELATED LEGISLATION, SO PERMIT.

APPENDIX 1.

EXCEPTED INDUSTRIES (5 INDUSTRIES)

(1) PRIMARY INDUSTRIES CASE- BY- CASE SCREENING,
RELATED TO AGRICULTURE, AS AT PRESENT
FORESTRY AND FISHERIES

(2) MINING 50 PERCENT LIBERALIZED
AS AT PRESENT

(3) OIL INDUSTRY CASE- BY- CASE SCREENINGS
AS AT PRESENT

(4) LEATHER OR LEATHER CASE- BY- CASE SCREENING,
PRODUCTS MANUFACTURING AS AT PRESENT
INDUSTRIES
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(5) RETAIL TRADE CASE- BY- CASE SCREENING,
AS AT PRESENT

(NOTE: RETAIL TRADE WITH NOT MORE THAN 11 STORES --
50 PERCENT LIBERALIZED, AS AT PRESENT)

APPENDIX 2.

17 INDUSTRIES TO BE LIBERALIZED AFTER A SET PERIOD

(KIND OF BUSINESS) (AT PRESENT) (TIMING OF LIB.)

(1) INTEGRATED CIRCUIT 50 PERCENT 100 PERCENT LIBER-
MANUFACTURING INDUSTRY LIBERALIZED ALIZED AFTER 19 MONTHS

(2) MEAT PRODUCTS 50 PERCENT 100 PERCENT LIBER-
MANUFACTURING LIBERALIZED ALIZED AFTER 2 YEARS
INDUSTRY

(3) TOMATO PRODUCTS 50 PERCENT 100 PERCENT LIBER-
MANUFACTURING LIBERALIZED ALIZED AFTER 2 YEARS
INDUSTRY

(4) FEED MANUFAC- 50 PERCENT 100 PERCENT LIBER-
TURING INDUSTRY LIBERALIZED ALIZED AFTER 2 YRS

(5) FOOD PROCESSING 50 PERCENT 100 PERCENT LIBER-
INDUSTRY FOR SUPPLY- LIBERALIZED ALIZED AFTER 2 YRS.
ING PREPARED FOOD
FOR MASS CONSUMP-
TION

(6) MANUFACTURING 50 PERCENT 100 PERCENT LIBER-
OR WHOLESALE TRADE LIBERALIZED ALIZED AFTER 2 YRS.
OF APPAREL

(7) MEDICINES OR 50 PERCENT 100 PERCENT LIBER-
AGRICULTURAL CHEMI- LIBERALIZED ALIZED AFTER 2 YRS
CALS MANUFACTURING
INDUSTRY
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(8) FERRO- ALLOY PRO- 50 PERCENT 100 PERCENT LIBER-
DUCTION INDUSTRY LIBERALIZED ALIZED AFTER 2 YRS

(9) HYDRAULIC EQUIP- 50 PERCENT 100 PERCENT LIBER-
MENT MANUFACTURING LIBERALIZED ALIZED AFTER 2 YRS
INDUSTRY

(10) PACKAGING OR 50 PERCENT 100 PERCENT LIBER-
PACKING MACHINERY LIBERALIZED ALIZED AFTER 2 YRS
MANUFACTURING IND.

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AMEMBASSY MANILA

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MANILA FOR VOLKER

(11) ELECTRONIC 50 PERCENT 100 PERCENT LIBER-
INSTRUMENT FOR LIBERALIZED ALIZED AFTER 2 YRS
MEDICAL PURPOSE OR
ELECTRIC MEASUREMENT
MANUFACTURING IND.

(12) PHONOGRAPHIC 50 PERCENT 100 PERCENT LIBER-
RECORD MANUFACTUR- LIBERALIZED ALIZED AFTER 2 YRS
ING INDUSTRY

(13) REAL ESTATE CASE- BY- CASE 100 PERCENT LIBER-
BUSINESS SCFEENING ALIZED AFTER 2 YRS

(14) MANUFACTURING, CASE- BY- CASE 50 PERCENT LIBER-
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SALES OR LEASING OF SCREENING ALIZED AFTER 15
ELECTRONIC COMPUTERS MONTHS, 100 PER-
CENT LIBERALIZED
AFTER 31 MONTHS

(15) INFORMATION CASE- BY- CASE 50 PERCENT LIBER-
PROCESSING IND. SCREENING ALIZED AFTER 19

N MONTHS, 100 PERCENT
LIBERALIZED AFTER

35 MONTHS

(16) FRUIT JUICE 50 PERCENT 100 PERCENT LIBER-
OR FRUIT BEVERAGE LIBERALIZED ALIZED AFTER 3 YRS
MANUFACTURING IND.

(17) PHOTO- SENSI- 50 PERCENT 100 PERCENT LIBER-
TIZED MATERIAL LIBERALIZED ALIZED AFTER 3 YRS
MANUFACTURING IND.

NOTE: PROCESSED CHEESE MANUFACTURING INDUSTRY IS LIBER-
ALIZED ON CONDITION THAT DOMESTIC NATURAL CHEESE ACCOUNTS
FOR MORE THAN ONE THIRD OF THE RAW MATERIALS USED IN
THE MANUFACTURING OF THE PRODUCT. UNQUOTE.

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TAGS: EFIN, EGEN, JA
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